European Journal of Marketing
Vol. 18, No. 4, 1984



# A Service Quality Model and its Marketing Implications

by Christian Grönroos

## The Missing Service Quality Concept

In order to be able to develop service marketing models and service management models one has to have a clear picture of what customers in the marketplace really are looking for and what they are evaluating in the customer relation of service firms. Nevertheless, publications on service marketing—research reports, scientific articles and books—do not include any explicit model of how the quality of a service is perceived and evaluated by consumers[1]. What we need is a model of service quality, i.e., a model which describes how the quality of services is perceived by customers. When we know this, and the components of service quality, we will be able to develop service-oriented concepts and models more successfully.

The term "service quality" is frequently used by both academicians and practitioners. However, it is never defined in a way which could guide management decisions. Too often the term "quality" is used as if it were a variable itself, and not a function of a range of resources and activities. To state that service firms, for instance, will have to develop the quality of their services to be able to compete successfully in the future is meaningless, unless one can: (1) define *how service quality is perceived* by the consumers; and (2) determine *in what way service quality is influenced.*

Today we have no service quality concept. Therefore, the purpose of the present report is to develop a service quality model. This model is tested on a sample of service business executives.

## Expected Service and Perceived Service

To answer the first question of how service quality is perceived, we may find some guidance in the literature on consumer behaviour. However, theories and models of consumer behaviour and buying behaviour do not explicitly consider services. Still, literature from those areas is of some help to us.

Consumer researchers have not explicitly considered the effects of consumers' perceptions of a product after consumption to any considerable extent[2]. However, several researchers have studied the effect on expectations about product performance on post-consumption evaluations of the product[3]. Among other things, it has been found that higher levels of performance lead to higher evaluations, if expectations are held constant[4] and that conflict arousal, in relation to the consumption of a product,

Dr. Christian Grönroos
Professor of Marketing
Swedish School of Economics
Arkadiagatan 22
SF-00100 Helsingfors, FINLAND

depends on product performance relative to the expectations of the consumer[5].

According to one writer[6] the outcome of a product will be more important to post-consumption evaluations, the higher the degree of the consumer's personal involvement in the consumption process. Higher involvement leads, for instance, to a greater degree of noticing.

Typically, services are products which require high consumer involvement in the consumption process. In the buyer-seller interactions, during the simultaneous parts of production and consumption, the consumer usually will find a lot of resources and activities to notice, and evaluate. As an example we could think of an airline company or a provider of conference services. Hence, the consumer's experience of a service can be expected to influence his post-consumption evaluation of the service quality which he has experienced, i.e., the perceived quality of the service[7].

Consequently, it is reasonable to state that the perceived quality of a given service will be the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received, i.e., he puts the *perceived service* against the *expected service.* The result of this process will be *the perceived quality of the service.*

Hence, the quality of the service is dependent on two variables: expected service and perceived service. Therefore, in a service quality model we need to know the resources and activities, under the control and outside the immediate control of the firm that have an impact on these variables, i.e., an answer to the second question stated in the first section of this article. We shall turn to this question in the following sections.

**Promises and Performance**

Traditional marketing activities—advertising, field selling, pricing, etc.—can be used in order to give *promises* to target customers[8]. Such promises influence the expectations of the customers, and have an impact on the expected service. Moreover, traditions ("we have always done so") and ideology (religion, political involvement, etc.) may also have an effect on a given customer's expectations. The same goes for word-of-mouth communication.

Furthermore, previous experience with a service also influences the expectations of a customer. The perceived service, on the other hand, is the result of the consumer's perception of the service itself. We shall now turn to the issue of how the service is perceived.

Swan and Comb have suggested that the perceived performance of a product can be divided into two sub-processes; namely, instrumental performance and expressive performance[9]. In empirical tests of these concepts and their impact on consumer satisfaction, made by these two researchers and by others[10], mostly consumer goods have been considered. The tests and the results of them are, however, of considerable theoretical relevance to services, too.

*The instrumental performance* of a product is the technical dimension of the product. In the context of services, it would be the technical result of a service production process: e.g., a passenger has been transported from one place to another, a medical problem has been attended to in a hospital, financial transactions of a firm have been

performed. It is, so to speak, what the customer is left with, when the production process is finished. *Expressive performance* is related to "psychological" level of performance. In a service context, the expressive performance would be related to the buyer-seller interactions, i.e., to the contacts the consumer has with various resources and activities of the service firm, during the service production process when the technical outcome, the instrumental performance, is created. As an example, we may think of an airline passenger's contacts with the employees of the company, physical and technical resources, such as in-checking desks, the plane itself, seats, meals and the passenger's contacts with other passengers. The passenger's interactions with such human and non-human resources during the pre-flight, in-flight, and post-flight production processes will certainly have an effect on his evaluations of the service, and on the service he perceives he has received.

Swan and Combs argue that satisfactory instrumental performance of a product is a prerequisite for consumer satisfaction, but that this is not enough. If the expressive performance of a product is not considered satisfactory, the consumer will still feel unsatisfied, irrespective of the degree of satisfaction caused by the instrumental performance[11].

For example, a bank may manage the affairs of a customer perfectly in a technical sense—the instrumental performance is satisfactory—but if the customer is dissatisfied with the performance of the manager or the teller, or if he does not accept the idea of an automatic teller machine he is supposed to use, he will probably feel unhappy with the service he gets from the bank. Similar examples can easily be found from other areas of the service sector, such as hotels and restaurants, transportation, health care, repair and maintenance, shipping and consultancy.

In a service quality model, the different kinds of product performance ought to be translated into quality terms. In the next section we will develop the quality model.

### Technical Quality and Functional Quality

The service is basically immaterial and can be characterised as an activity where production and consumption to a considerable extent take place simultaneously. In the buyer-seller interactions the service is rendered to the consumer. Clearly, what happens in these interactions will have an impact on the perceived service.

The hotel guest will get a room and a bed to sleep in, the consumer of a restaurant's services will get a meal, the train passenger will be transported from one place to another, the client of a business consultant may get a new organisation scheme, a manufacturer may get its goods transported from its inventories to a customer by a transportation firm, a bank customer may be granted a loan, etc. As we have noticed earlier, this mere technical outcome of the production process corresponds to the instrumental performance of the service. And clearly, this technical outcome of the process, i.e., *what* the consumer receives as a result of his interactions with a service firm, is important to him and to his evaluation of the quality of the service. This can be called the *technical quality* dimension. Frequently, it can be measured by the consumer in a rather objective manner, as any technical dimension of a product.

However, as the service is produced in interaction with the consumers, this technical quality dimension will not count for the total quality that the consumer perceives he

gets. Obviously, he will also be influenced by the way in which the technical quality is transferred to him functionally.

The accessibility of a teller machine, a restaurant or a business consultant, the appearance and behaviour of waiters, bank tellers, travel agency representatives, bus drivers, cabin attendants, business consultants, plumbers, how these service firm employees perform, what they say and how they say it do also have an impact on the customer's view of the service. Furthermore, the more a consumer accepts self-service activities or other production-related routines, which he is expected to perform, the better he will, probably, consider the service. Moreover, the other customers simultaneously consuming the same or similar services may influence the way in which a given customer will perceive a service. Other customers may cause queues, disturb the customer, or they may, on the other hand, have a favourable impact on the atmosphere of the buyer-seller interactions.

In summary, the consumer is not only interested in what he receives as an outcome of the production process, but in the process itself. *How* he gets the technical outcome—or technical quality—functionally, is also important to him and to his view of the service he has received. This quality dimension can be called *functional quality*. Functional quality corresponds to the expressive performance of a service. Hence, we have two quality dimensions, which are quite different in nature: technical quality which answers the question of *what* the customer gets, and functional quality which, on the other hand, answers the question of *how* he gets it. Obviously, the functional quality dimension cannot be evaluated as objectively as the technical dimension. As a matter of fact, the functional dimension is perceived in a very subjective way.

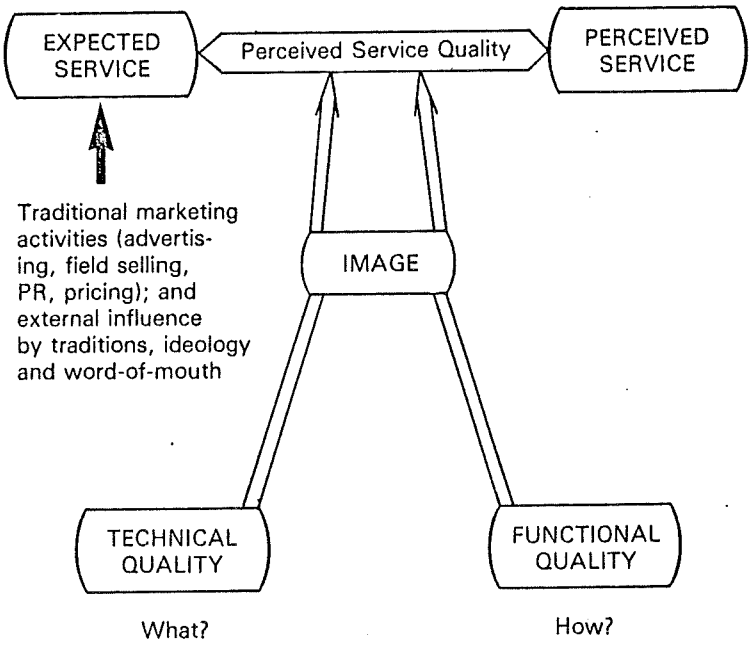
The perceived service is the result of a consumer's view of a bundle of service dimensions, some of which are technical and some of which are functional in nature. When this perceived service is compared with the expected service, we get the perceived service quality. This is schematically illustrated in Figure 1. However, the figure includes a third quality dimension, the corporate image, which in some cases can be viewed as a third variable in the quality model. We shall turn to image as a quality dimension in the next section.

**Image as a Quality Dimension**

Usually, a service firm cannot hide behind brand names or distributors. In most cases the consumers will be able to see the firm and its resources during buyer-seller interaction. Therefore, *corporate image*, or sometimes local image of an office or another organisational unit, is of utmost importance to most service firms[12]. The expectations of the consumers are influenced by their view of the company, i.e., by the image.

The corporate image is the result of how the consumers perceive the firm. The most important part of a firm, which its customers see and perceive, is its services. Therefore, the corporate image can be expected to be built up mainly by the technical quality and the functional quality of its services. Of course, there are other factors, which also may influence the image, but they are normally less important. One may choose between two types of such factors: external factors, such as tradition, ideology and word-of-mouth, and on the other hand, traditional marketing activities, such as advertising, pricing and public relations.

**Figure 1. The Service Quality Model**




When a service firm wants to inform new target markets about its image, traditional marketing activities like image advertising can be the most effective means of doing so. Moreover, if customers in an existing market, for some reason or another, have an image of the firm which does not correspond with reality, traditional marketing activities can again be expected to be an effective way of communicating the real image to the market. In our opinion, however, advertising campaigns, or other traditional marketing activities, should not be launched, if the picture of the firm that is given the customers does not reflect an existing technical quality and functional quality. All traditional marketing efforts have an impact on the expectations of the customer, and an advertising campaign which gives the impression that the technical and/or the functional quality of the service are better than they really are, will result in an increased expected service level. If the perceived service remains on the same level as before, the gap between the expected service and the perceived service will grow, which may lead to conflict arousal. The firm will get disappointed customers. Finally, disappointed customers may cause the image to deteriorate.

However, the image may be a quality dimension. If a consumer believes that he goes to a good restaurant and the meal, for instance, is not perfect, or the behaviour of the waiter is irritating, he may still find the perceived service satisfactory. His positive image of the restaurant makes him find excuses for his negative experiences. Obviously, if he is disappointed many times, his image of the restaurant will deteriorate. In a corresponding manner, a negative image may easily increase perceived problems with service quality. Moreover, the bad image will probably become even more unfavourable.

**Some Empirical Evidence Concerning the Service Quality Model**

Tests in the instrumental performance and expressive performance of products indicate that the first kind of performance is a necessary, but not sufficient, condition for satisfaction[13]. Swan and Combs also argue that a satisfied consumer will be more likely to mention expressive attributes, rather than instrumental attributes, as a reason for his satisfaction.

As far as services are concerned, these observations would suggest that functional quality is more important to the perceived service than the technical quality, at least as long as the latter quality dimension is on a satisfactory level. Informal case studies, which we have done as pilot studies, lead us to the same conclusion.

This is especially important to such service industries, where the mere technical quality is very similar among firms in the marketplace, and is difficult to differentiate. As we know, this is the case for a very large number of services.

The hypothesis stated above was tested on a sample consisting of Swedish service firm executives in 1981. A random sample was drawn from a population consisting of persons participating in a series of service marketing seminars, and a questionnaire was mailed to the respondents on the average six months after the seminar. The respondents represent top management as well as marketing and other business functions, mainly internal training and personnel. Moreover, a wide range of service industries are included in the sample: e.g., banks, insurance companies, hotels, restaurants, shipping, airline companies, cleaning and maintenance, car rental companies, travel agencies, engineering consultants, architects, business consultants, advertising agencies, and a range of institutions from the public sector.

The items concerning service quality and corporate image are one part of the total questionnaire only. Approximately 60 per cent of the questionnaires were returned. This equals 219 respondents. As most service industries are very personnel intensive, and are likely to stay so in the relevant future, the performance of the employees involved in the buyer-seller interactions—the contact personnel—was used in order to operationalise the functional quality dimension. The terms contact personnel, technical quality and functional quality were familiar to the respondents.

The items used, as well as the results, are illustrated in Table I. The answers were given on Likert-type scales with five points ranging from "agree strongly" (5) to "disagree strongly" (1). The scales were analysed separately, and the results are given separately. In the table the results for all respondents are given. The picture did not change when the data were broken down according to the background variables used, such as industry, size, position of the respondent, and type of customers.

As we may see from Table I, a very large proportion of the respondents agree strongly or partly with the five first items. The buyer-seller interaction, where the functional quality emerges, is considered a more important part of marketing than traditionl marketing activities. This stresses the view that the quality-generating process, and especially the buyer-seller interaction, is of utmost importance to service marketing. We have, in other contexts, defined the management of the buyer-seller interaction as the *interactive marketing function*[14] of service firms as a complement to the traditional marketing function.

Items 2 through 4 indicate that traditional marketing activities are considered

**Table I. Items and Results Concerning Service Quality and Corporate Image**

| Item | (1) Proportion agreeing strongly/ partly(%) | (2) n | (3) No answer |
|---|---|---|---|
| In most cases the everyday contact with customers (the buyer-seller interaction) is a more important part of marketing than traditional marketing activities, such as advertising, mass communication, etc. | 94.1 | 218 | 1 |
| The corporate image is more the result of the customer's contacts with the company (the buyer-seller interaction) than the result of traditional marketing activities | 88.8 | 216 | 3 |
| Traditional marketing activities are of marginal importance only to the view of the corporate image of the customers *the firm has today* | 74.0 | 218 | 1 |
| Word-of-mouth communication has a more substantial impact on *potential customers* than traditional marketing activities | 83.5 | 216 | 3 |
| The contact personnel's way of handling the contacts with the customers, if it is customer-oriented and service-minded, will compensate for *temporary problems* with the technical quality of the service | 91.3 | 219 | 0 |
| The contact personnel's way of handling the contacts with the customers, if it is customer-oriented and service-minded, will compensate for an overall *lower technical quality level* | 37.9 | 217 | 2 |

Comments: The proportions in column 1 are significantly larger than 50 per cent on any significance level, except for the last item. The frequency distribution is U-shaped for this item. Consequently, no statistical tests have been applied on the total data material.

marginally important to corporate image, whereas the buyer-seller interaction and word-of-mouth is considered more effective. The fifth item indicates that functional quality is considered very important; in fact so important that a high level of functional quality (contact personnel performance) may compensate for temporary problems with the technical quality. One may also notice that more than one-third of the respondents agree strongly or partly with the sixth item, which says that good contact personel performance may even compensate for an overall lower technical quality level.

## Conclusions and Marketing Implications

We may conclude that the functional quality, in fact, seems to be a very important dimension of the perceived service. In some cases it is more important than the technical quality dimension. Successful service management may, therefore, mean that attention is paid to improving the functional quality of a firm's services. Managing the buyer-seller interaction, and thus creating good functional quality, may be a powerful marketing function (interactive marketing), more important than traditional marketing activities.

The importance of traditional marketing activities to corporate image should not be over-estimated. The image is mainly the result of the perceived service. Moreover, the importance of word-of-mouth ought to be remembered.

Managing the perceived service quality means that the firm has to match the

expected service and the perceived service to each other so that consumer satisfaction is achieved. In order to keep the gap between the expected service and perceived service as small as possible, two things seem to be critical to the service firm:

(1) The promises about how the service will perform given by traditional marketing activities, and communicated by word-of-mouth, must not be unrealistic when compared to the service the customers eventually will perceive.

(2) Managers have to understand how the technical quality and the functional quality of a service is influenced, and how these quality dimensions are perceived by the customers.

The first consideration has implications for advertising and other traditional marketing efforts. By such activities a view of the service which is not based on reality should not be given to the customers. Moreover, for the firm's present customers such activities are probably far less effective than the impact of the customers perceptions of the service. As potential customers are concerned, traditional marketing is more powerful.

The second consideration brings us back to the service quality model, illustrated in Figure 1. Management has to understand the importance of the functional quality, and how the two quality dimensions can be developed. The technical quality dimension is obviously a result of the know-how which the firm has. This means good technical solutions, technical abilities of the employees, etc. By appropriate use of machines and computer-based systems the technical quality may be improved.

However, as we have seen this is not enough. To ensure that the consumers are satisfied an acceptable functional quality is demanded. The contact personnel are often of vital importance to functional quality. Moreover, customer-oriented physical resources and technical resources, as well as the accessibility of the firm's services, the consumer orientation of self-service systems, and the firm's ability to maintain a continuous contact with its customers are examples of ways of influencing the functional quality dimension.

In conclusion, one should notice that the quality dimensions are interrelated. An acceptable technical quality can be thought of as a prerequisite for a successful functional quality. On the other hand, it seems as if temporary problems with the technical quality may be excused, if the functional quality is good enough. Finally, the importance of the image should be recognised.

Of course, much more research is needed, especially research on the consumers' view of service quality.

**References**

1. See, for example, publications by Wilson, Rathmell, Levitt, Eiglier and Langeard, Berry, Bateson, Gummesson, George, Thomas, Lovelock, Grönroos and others.
2. Bettman, J.R., *An Information Processing Theory of Consumer Choice*, Reading, Mass., Addison-Wesley, 1979, p. 275.
3. See, for example, Lewin, K. *et al.*, "Level of Aspiration", in Hunt, J.M. (ed), *Personality and Behaviour Disorders*, Vol. 1, New York, Ronalds, 1944; Cardozo, R.N., "An Experimental Study of Consumer Effort, Expectation and Satisfaction", *Journal of Marketing Research*, August, 1965; Cohen, J. and Goldberg, M.E., "The Effects of Brand Familiarity and Performance upon Post-Decision Product Evaluation", Paper presented at the American Marketing Association's Workshop on Experimental Research in Consumer Behaviour, Ohio State University, 1969; Olshavsky, R.W., and Miller, J.A.,

"Consumer Expectations, Product Performance and Perceived Product Quality", *Journal of Marketing Research*, February, 1972; Anderson, R.E., "Consumer Dissatisfaction: The Effect of Disconfirmed Expectancy on Perceived Product Performance", *Journal of Marketing Research*, February, 1973; and Oliver, R.L., "Effect of Expectation and Disconfirmation on Post-exposure Product Evaluations: An Alternative Interpretation", *Journal of Aplied Psychology*, August, 1977.

4. See Oliver, R.L., *op. cit.*, 1977.
5. Hansen, F., *Consumer Choice Behaviour: A Cognitive Theory*, New York, The Free Press, 1972, p. 179.
6. Bettman, J.R., *op. cit.*, p. 272.
7. In the area of industrial services, Johnston and Bonoma have found that firms which successfully have rendered or currently render a service, often are the only one solicited when a repeat purchase is to be made. See Johnston, W.J. and Bonoma, T.V., "Purchase Process for Capital Equipment and Services", *Industrial Marketing Management*, No. 4, 1981, p. 261.
8. Calonius, H., "Behövs begreppet löfte?", *Marknadsvetande*, No. 1, 1980 and Calonius, H., "On the Promise Concept", unpublished working paper, Swedish School of Economics, 1983.
9. Swan, J.E. and Combs, L.J., "Product Performance and Consumer Satisfaction: A New Concept", *Journal of Marketing*, April, 1976, p. 26.
10. See Maddox, R.N., "Two-factor Theory and Consumer Satisfaction: Replication and Extension", *Journal of Consumer Research*, June, 1981.
11. Swan, J.E. and Combs, L.J., *op. cit.*, p. 26.
12. Bessom, R.M., "Unique Aspects of Marketing of Services", *Arizona Business Bulletin*, November, 1973, p. 78, and Bessom, R.M. and Jackson, D.W. Jr., "Service Retailing: A Strategic Marketing Approach", *Journal of Retailing*, Summer, 1975, p. 78.
13. Swan, J. E. and Combs, L.J., *op. cit.*, pp. 27 and 32.
14. See Grönroos, C., "A Service-oriented Approach to Marketing of Services", *European Journal of Marketing*, Vol. 12 No. 8, 1978, and Grönroos, C., "Strategic Management and Marketing in the Service Sector", Helsingfors, Finland, Swedish School of Economics, 1982, p. 136ff.